

FISCAL NOTE

Bill #: HB 406

Title: Education trust fund

Primary

Sponsor: Carol Williams

Status: Second reading

Sponsor signature	Date	Dave Lewis, Budget Director	Date
-------------------	------	-----------------------------	------

Fiscal Summary

	<u>FY2000 Difference</u>	<u>FY2001 Difference</u>
Expenditures:		
State Special Revenue	6,480,000	6,510,000
Revenue:		
General Fund	\$(7,236,000)	\$(7,267,000)
State Special Revenue	\$6,534,042	\$6,609,769
Federal Special Revenue		
Other		
Net Impact on General Fund Balance:	\$(7,236,000)	\$(7,267,000)

<u>Yes</u>	<u>No</u>		<u>Yes</u>	<u>No</u>	
	X	Significant Local Gov. Impact		X	Technical Concerns
	X	Included in the Executive Budget	X		Significant Long-Term Impacts

Fiscal Analysis

ASSUMPTIONS:

1. This act is effective on July 1, 1999.
2. The bill establishes an education trust fund, and the interest on the proposed fund is distributed 90% to the school capital projects account and 10% to the education trust fund.
3. On July 1, 1999 \$100,000,000 of the coal severance tax permanent fund is transferred to the education trust fund.
4. Prior to the \$100,000,000 transfer, the average balance of the coal severance tax permanent fund is estimated at \$561,193,000 for FY2000 and \$569,017,000 for FY2001.
5. On July 1, 1999 the balance of the education trust fund is \$100,000,000.
6. The rate of return for the revenue deposited in the coal severance tax permanent fund and the education trust fund is calculated at 7.236% for FY2000 and 7.267% for FY2001.

(continued)

7. Because 10% of the interest on the education trust fund is returned to the fund, there will be a compounding of the interest earned on the education trust fund.
8. The revenue loss to the general fund is equal to 100% of the revenue from the interest on the \$100,000,000 transferred to the education trust fund.
9. The revenue gain for the in the school capital projects account is 90% of the interest earned on the education trust, which includes 90% of the compounded interest component (from the return of funds back to the education fund).
10. The interest within the education trust fund is compounded monthly.
11. At the end of fiscal 2000 the balance of the education trust fund is expected to be \$100,726,005, and at the end of fiscal 2001 the balance is expected to be \$101,460,423.
12. The Office of Public Instruction will distribute the annual state payment for school capital projects in May.
13. The amount distributed to schools in FY2000 is projected to be \$6.48 million and in FY2001 is \$6.51 million.

FISCAL IMPACT:

	<u>FY2000</u>	<u>FY2001</u>
	<u>Difference</u>	<u>Difference</u>
<u>Expenditures:</u>		
Local Assistance – School Cap Proj	6,480,000	6,510,000
<u>Funding:</u>		
State Special Revenue (02)	6,480,000	6,510,000
Trust Fund (09) Coal tax permanent	(100,000,000)	
Trust Fund (09) Education trust	<u>100,000,000</u>	
TOTAL	6,480,000	6,510,000
<u>Revenues:</u>		
General Fund (01)	(7,236,000)	(7,267,000)
State Special Revenue (02)	6,534,042	6,609,769
<u>Net Impact to Fund Balance (Revenue minus Expenditure):</u>		
General Fund (01)	(7,236,000)	(7,267,000)
State Special Revenue (02)	54,042	99,769

EFFECT ON COUNTY OR OTHER LOCAL REVENUES OR EXPENDITURES:

The school capital projects payments will allow school districts to spend additional funds on facilities and equipment or replace current funds expended for these purposes. To the extent current expenditures from local tax sources are reduced taxes will be reduced.

LONG-RANGE IMPACTS:

10 % of the interest on the education trust fund is saved each year. Over time there will be a significant increase in the trust fund base. Thus, interest earnings to the school capital projects account to be used for school capital projects will increase.